

**PUBLICATION 1345N**

# **Nebraska Handbook for Electronic Filers of Individual Income Tax Returns**



**TAX YEAR 2005**

**BE SURE TO GET OTHER ERO MATERIALS FROM OUR WEB SITE.** Visit our Web site for up-to-date information about the Nebraska E-file program. You can download additional copies of this booklet, as well as other forms, files and publications that will assist you with e-filing Nebraska returns for your clients. Go to <http://www.revenue.ne.gov/> and look for the link to our tax preparer's page.

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# ***Nebraska e-file***

## **ELECTRONIC FILING CALENDAR**

**For Tax Period January 1, 2005, through December 31, 2005**

Begin Software Developer and Transmitter Testing .....(Same as IRS)

Nebraska software developers must first complete Internal Revenue Service testing before final approval with the state.

Transmitter Trading Partners must be accepted by the Internal Revenue Service prior to accessing the IRS Acknowledgment System.

**Electronic Return Originators are not required to file an application or perform state acceptance testing.**

Begin Transmitting Returns to IRS/Nebraska Department of Revenue ..... January 13, 2006

Last Date for Timely Filed Returns ..... April 17, 2006

Last Retransmission of Rejected Timely Filed Returns ..... (Determined by IRS)

Begin Mailing Balance Due Notices (electronic withdrawal filers only) ..... April 25, 2006

Begin Mailing Balance Due Notices (other e-filers only)..... May 20, 2006

Last Date for Extended Filed Returns..... October 16, 2006

Last Retransmission of Rejected Extended Filed Returns ..... (Determined by IRS)

**NOTE:**      **These dates may be subject to change at any time.**

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# Chapter 1

## OVERVIEW

The Nebraska Department of Revenue will accept electronically transmitted, tax year 2005 returns beginning January 13, 2006. This document is intended to provide tax professionals with information needed for the Nebraska program.

To be accepted as an originator of electronic returns for Nebraska, you will need to be accepted in the IRS electronic filing program and use software that has been tested and approved by both the IRS and the Nebraska Department of Revenue. No state application is required. The department thanks you for your participation.

## What's New for Tax Year 2005

**NEBRASKA STANDARD DEDUCTION CHANGES:** For 2005, the additional standard deduction for elderly/blind will be **\$1000** for married joint and married separate, and **\$1210** for single and head of household. **Here is a table of possible standard deduction values.**

| File Status | Description  | Amount         |
|-------------|--|----------------|
| 1           | Single   | <b>\$4,980</b> |
| 1           | Single and 65 or older   | \$6,190        |
| 1           | Single and blind   | \$6,190        |
| 1           | Single and 65 or older and blind   | \$7,400        |
| 2           | Married Filing Joint   | <b>\$8,320</b> |
| 2           | Married Filing Joint and one spouse 65 or older  | \$9,320        |
| 2           | Married Filing Joint and one spouse blind  | \$9,320        |
| 2           | Married Filing Joint and one spouse 65 or older and blind  | \$10,320       |
| 2           | Married Filing Joint and both spouses 65 or older  | \$10,320       |
| 2           | Married Filing Joint and both spouses blind  | \$10,320       |
| 2           | Married Filing Joint and one spouse 65 or older and both blind   | \$11,320       |
| 2           | Married Filing Joint and both spouses 65 or older and one blind  | \$11,320       |
| 2           | Married Filing Joint and both spouses 65 or older and blind  | \$12,320       |
| 3           | Married Filing Separate  | <b>\$4,160</b> |
| 3           | Married Filing Separate and one spouse 65 or older   | \$5,160        |
| 3           | Married Filing Separate and one spouse blind   | \$5,160        |
| 3           | Married Filing Separate and one spouse 65 or older and blind   | \$6,160        |
| 3           | Married Filing Separate and both spouses 65 or older   | \$6,160        |
| 3           | Married Filing Separate and both spouses blind   | \$6,160        |
| 3           | Married Filing Separate and one spouse 65 or older and both blind  | \$7,160        |
| 3           | Married Filing Separate and both spouses 65 or older and one blind   | \$7,160        |
| 3           | Married Filing Separate and both spouses 65 or older and blind   | \$8,160        |
| 4           | Head of Household  | <b>\$7,300</b> |
| 4           | Head of Household 65 or older  | \$8,510        |
| 4           | Head of Household blind  | \$8,510        |
| 4           | Head of Household 65 or older and blind  | \$9,720        |
| 5           | Widow(er) with Dependent Children  | <b>\$8,320</b> |
| 5           | Widow(er) with Dependent Children and 65 or older  | \$9,320        |
| 5           | Widow(er) with Dependent Children and blind  | \$9,320        |
| 5           | Widow(er) with Dependent Children 65 or older and blind  | \$10,320       |
|             | <b>NOTE: If Married Filing Separately, the additional amounts for over 65 and blind apply only if the primary can claim an exemption for their spouse.</b> |                |

**REMOVE FORM 4136N:** Form 4136N, Nebraska Non-highway Use Motor Vehicle Fuels Credit Computation, is no longer used to obtain non-highway motor fuels credit. Instead, a direct refund is claimed through filing a Nebraska Motor Fuels Tax Refund Claim, Form 84. As a result, this form is being removed from income tax processing and eliminated from e-file.

**REMOVE LINE 30 FORM 4136N CREDIT:** In addition to removing all references to Form 4136N from the program, 1040N Line 30 will no longer be used to report this credit.

**ADD LINE 30 FORM 3800N REFUNDABLE CREDIT:** The LB 608 refundable credit will no longer be reported on the same line as the Beginning Farmer credit line. The LB 608 credit will now be reported in Line 30. On a related topic, Line 23 has been renamed to Form 3800N Nonrefundable Credit. **Neither Line 23 nor Line 30 is eligible for e-file.**

**ADD NEW LINE; BONUS DEPRECIATION SUBTRACTION ON NEBRASKA SCHEDULE I:** If the taxpayer previously reported 85 percent of any **federal special bonus depreciation** to Nebraska for tax year 2002, 2001 or 2002, you can subtract 20 percent of the total bonus depreciation added back in those years for tax year 2005. This value will be reported on a new line (Line 52) on Nebraska Schedule I.

**NEW CHILD CARE CREDIT FIELDS REQUIRED IN THE GENERIC RECORD:** In an effort to prevent abuse of this refundable credit, the department will require additional information about the care provider and the qualified persons. This data is in addition to the data currently being collected in the Nebraska Child Care Credit (electronic) Worksheet. The department will support a maximum of 5 occurrences of provider information and 5 occurrences of qualified person information. If the taxpayer needs to report additional providers or persons, the return will have to be filed as a paper return. Additionally, to enforce the rules associated with reporting this data, new Reject Codes will be created to require that this information be present when this refundable credit is claimed.

**DECEASED TAXPAYERS:** A surviving spouse will be allowed to e-file a joint return to claim a refund. A Reject Code will be added to the e-file system to ensure that for returns with a date of death present; the Filing Status must equal 2 (Married Filing Joint), only one date (either Primary or Spouse) is present, and this date must equal the current tax year or the current tax year plus 1. These returns can be e-filed by a surviving spouse (not a personal representative) in order to claim a refund for a deceased spouse. Returns requiring a Death Certificate or a Nebraska Form 1310N cannot be e-filed.

**HIGH SCHOOL DISTRICT CODE CHANGES:** The following changes have been announced for tax year 2005 High School District Codes:

| RESIDENT COUNTY | TYPE OF CHANGE  |
|-----------------|---|
| Chase           | Delete Chase County High 15 (1515015)<br>Add Chase County Schools 10 (1515010)<br>Delete Grant 1 (1568001)<br>Delete Wheatland 112 (1568112)<br>Add Perkins County Schools 20 (1568020) |
| Cherry          | Delete Gordon High 4 (1681004)<br>Add Gordon-Rushville High 10 (1681010)  |
| Douglas         | Delete Valley 33 (2828033)<br>Delete Waterloo 11 (2828011)<br>Add Douglas County West Community 15 (2828015)  |
| Dundy           | Delete Chase County High 15 (2915015)<br>Add Chase County Schools 10 (2915010)  |
| Frontier        | Change Republican/Twin Valley 179 to Southwest 179 (still 3273179)  |
| Furnas          | Change Republican/Twin Valley 179 to Southwest 179 (still 3373179)  |

|            |   |
|------------|---|
| Keith      | Delete Grant 1 (5168001)<br>Delete Wheatland 112 (5168112)<br>Add Perkins County Schools 20 (5168020)         |
| Lincoln    | Delete Wheatland 112 (5668112)<br>Add Perkins County Schools 20 (5668020)                                     |
| Nuckolls   | Delete Guide Rock R1 (6591501)  |
| Perkins    | Delete Grant 1 (6868001)<br>Delete Wheatland 112 (6868112)<br>Add Perkins County Schools 20 (6868020)         |
| Polk       | Change Stromsburg-Benedict 15 to Cross County 15 (still 7272015)  |
| Red Willow | Change Republican/Twin Valley 179 to Southwest 179 (still 7373179)  |
| Sheridan   | Delete Gordon High 4 (8181004)<br>Delete Rushville High 6 (8181006)<br>Add Gordon-Rushville High 10 (8181010) |
| Thurston   | Change Macy 16 to Umo N Ho Nation Sch. 16 (still 8787016)   |
| Webster    | Delete Guide Rock R1 (9191501)  |
| York       | Change Stromsburg-Benedict 15 to Cross County 15 (still 9372015)  |

**PERSONAL EXEMPTION CREDIT CHANGE:** The Nebraska Personal Exemption Credit (Form 1040N Line 19) for 2005 will be \$103 (up from \$101 per exemption from tax year 2004). The phase out threshold for computing this credit is also changed.

**NEBRASKA SCHEDULE II EDIT REJECT CHANGES:** Edits for Nebraska Schedule II have resulted in a high incidence of rejects that could be avoided with some minor changes. Reject Code 0407 (A Nebraska Schedule II was entered, but the postal abbreviation indicating the other state, was invalid or missing) will no longer be issued unless all lines on the Schedule II are present. Reject Code 0408 (A Nebraska Schedule II was entered, but has lines missing) will not be issued unless a value exists in 1040N Line 20 and the Credit For Prior Year Minimum Tax Indicator is '0'.

## Who is Eligible to E-file for Tax Year 2005

The department is committed to make e-file available to as many Nebraska taxpayers as possible. Restrictions are based on form size and complexity, number of filers, the preferences of our ERO participants, departmental processing requirements, and the potential for errors or fraud. A previous study found that approximately 98 percent of our taxpayers, who filed calendar year original returns, would be eligible for e-filing based on the forms contained in their return. Your software should allow you to file all forms supported by the state. **Confirm with your software provider that it supports all of the following ACCEPTED forms, schedules and worksheets as part of the electronic return:**

### ACCEPTED

- 1040NS Individual Income Tax Return (Nebraska resident short form)
- 1040N Individual Income Tax Return (Nebraska long form)
- Schedule I, Nebraska Adjustments to Income
- Schedule II, Credit for Tax Paid to Another State
- Schedule III, Computation of Nebraska Tax for Nonresidents & Partial-year Residents
- Nebraska Minimum or Other Tax Worksheet (used for e-filed returns only)
- Refundable Child Care Credit Worksheet (used for e-filed returns only)

## EXCLUDED

CDN, Nebr. Community Development Assistance Act Credit Computation (1040N line 22)

3800N, Nebr. Employment and Investment Credit Computation (1040N line 23)

829N, Nebraska Quality Jobs Act Credit (1040N line 24)

### **1040N, Line 30, Form 3800N Refundable Credit**

1040N, Line 32, Beginning Farmer Credit

4797N, Special Capital Gains Election and Computation (Schedule I, line 50)

NOL, Nebraska Net Operating Loss Worksheet

1310N, Nebraska Refund for Deceased Taxpayers

14N, Statement of Nebraska Income Tax Withheld For Nonresidents

1040XN, Amended Nebraska Individual Income Tax Return

Any returns prior to tax year 2005, and fiscal year returns

## ACCEPTED, BUT RETAINED BY THE ERO

Form 2210N, Individual Underpayment of Estimated Tax

Federal forms 6251, 4972, and 5329 (used to calculate Form 1040N, line 16)

**Be aware that some software may have limitations and exclusions that are beyond the control of the department. Be sure to check with your software provider if you have questions about exclusions.**



## Publications and Other E-file Information

In addition to this publication, you should also be familiar with the Internal Revenue Service (IRS) *Publication 1345, Handbook for Electronic Filers of Individual Income Tax Returns*. It identifies the procedures and requirements for this program specified by the IRS. Nebraska *Publication 1345N, Nebraska Handbook for Electronic Filers of Individual Income Tax Returns*, sets forth those items that are specific to the Nebraska Department of Revenue. Since most functions in the Federal/State E-File Program are the same, this handbook highlights the special features for Nebraska, and should be used in conjunction with IRS *Publication 1345*. All rules, regulations, and requirements governing tax preparers, transmitters, and originators of returns put forth by the IRS are in effect for the Nebraska Department of Revenue. The department recommends that all participants study IRS *Publication 1345* prior to reading the *Publication 1345N, Nebraska Handbook*. Where the IRS provides detailed instructions on hardware, transmission procedures, policies, etc., those same requirements apply to the Nebraska program.

Visit the department's Web site at <http://www.revenue.ne.gov> for the latest news about the department's electronic commerce programs and to download state forms, tables and publications.

## Preventing Errors on the State Return

The error rate on e-filed returns is very low; however, whether due to software or human mistake, errors on state returns do occur. The department must fix all errors on e-file returns before processing them in our mainframe system. **Any error requiring human intervention will delay the processing of your client's return. Serious errors may cause a return to be rejected or converted to paper.** Here are some tips to avoid and minimize these problems: Make sure that your name and telephone number have been correctly entered into the state return. These must not be blank.

Always include the seven-digit High School District Code for resident returns and part-year resident returns when the taxpayer resides in the state as of December 31, 2005. Errors or omission of the High School District Code result in a letter mailed by the department to the taxpayer for corrected information.

See page 7 for a list of Nebraska Form 1040N lines and tax forms that are not accepted electronically.

If preparing schedules and worksheets, be cautious. These account for a majority of the errors found in state returns.

Developers are notified when errors are discovered, but they do not always issue fixes immediately. Be sure to know how your developer issues updates and keep your software version current. It is important that you always use the most current updates to your software as these often contain "fixes" for these types of errors.

Compare your software's capability to the list of acceptable forms and form lines permitted by the state. Be sure that your software supports a particular form or form line before attempting to prepare a return with this information.

Nebraska e-file does not support fiscal year filers. If you are unsure that your client is a calendar year filer, be sure to ask them before you e-file the state return.

Active duty Nebraska military filers who are Nebraska residents must file as Nebraska residents. If it is completed as a nonresident return, the Schedule III will be disallowed. The spouse of a non-Nebraska active duty military filer who is physically present in Nebraska for the year, is considered a Nebraska resident. If the non-Nebraska active duty military filer submits a joint Nebraska return with the resident spouse, the return must be filed as a resident return.

A number of worksheets are used with the Nebraska return. Verify that all worksheets have been completed before submitting the return.

**Report all problems with your software to your software provider. As users of this software, you are in the best position to recognize software-generated errors.** The department will work with your software provider to correct these errors; however, it is your responsibility to provide error-free returns.

**Please remind your taxpayer clients to not mail printed copies of their tax return to the department unless directed to do so.**

## Chapter 2

# APPLICATION AND PARTICIPATION

## Tax Professional Participation

Federal/State E-filing for Nebraska individual income tax returns is available to all interested tax professionals who have been accepted for participation in the federal electronic filing program. For Nebraska purposes, there are three basic classifications of trading partners in this program, Electronic Return Originators (EROs), Transmitters, and Software Developers. An ERO enters tax returns on a computer using software that has been approved by both the IRS and the department. These returns are intended for electronic transmission to the IRS. A company may be both an ERO and a Transmitter, or an ERO may have an arrangement with a third-party Transmitter to use their communications services.

Transmitters directly transmit electronic returns to the IRS Service Center using IRS approved software, and retrieve both federal and state acknowledgments.

Software Developers create and market the software that formats the electronic returns and allows the data to be transmitted via computers. All Software Developers in the Federal/State program must complete rigorous testing with the IRS. Software Developers who create software for Nebraska e-file returns must also complete testing and be approved by the state.

## How Federal/State E-File Works

EROs and Transmitters file both federal return and the state returns to the IRS. When transmitted together, the IRS, after

acknowledging the acceptance of the federal return, will make the state return available for retrieval by the state. **State returns are not made available to be retrieved from the IRS until the day following the IRS acceptance. This means that your state acknowledgment will be at least one day later than the federal.** After retrieval, the state return will be subjected to preliminary editing to ensure the return can be processed. If so, the return is uploaded to the state's mainframe computer for further processing. If not, the ERO is notified with a Reject Code on the state acknowledgment, indicating it must be corrected and then re-transmitted, or converted to paper. Upon receipt from the IRS, the department posts a state acknowledgment for each return retrieved. Transmitters should be able to retrieve the state acknowledgments within 5 working days from the posting of the IRS acknowledgment. Check with the IRS to determine the last date they will accept electronically filed returns.

**In order to take part in the Federal/State Electronic Filing Program, participants must file a Federal Form 8633, Application to Participate in the Electronic Filing Program, with the IRS, and meet IRS testing and suitability checks. To participate in the Nebraska e-file program, you will need to comply with the following procedures, depending on your type of participation:**

## Electronic Return Originators (EROs)

Nebraska EROs must meet federal acceptance standards, and be officially accepted by the IRS.

**Acceptance into the federal program is automatic acceptance into the Nebraska program.** All EROs accepted in the federal program are assigned an Electronic Filing Identification Number (EFIN) by the IRS. Your

EFIN is also used by the Nebraska Department of Revenue to identify you.

## Transmitters

**Transmitters of Nebraska returns must register with the IRS. Nebraska does not license or require Transmitters to test with the department.** The IRS assigns an Electronic Transmitter Identification Number (ETIN) transmitters accepted in the Federal program. This ETIN is also used by the department to identify Transmitters.

## Software Developers

As a software developer you must:

1. Successfully complete testing procedures with the IRS.
2. Complete, sign and submit the Nebraska Software Developer Information Sheet (available on the developer's page of our Web site).  
**Note: The department will assign you a Software License Number, which must be included in all test and production returns.**

3. Successfully complete testing procedures with the department. To begin testing with Nebraska, you will need to receive the Nebraska Publication 1346N, Information For Software Developers; and the Nebraska E-file Test Package, Publication 1436N. State testing can run concurrently with IRS testing if the developer wishes to do so. The state test data will be retrieved from the IRS and examined by the Nebraska Department of Revenue. All Nebraska test scenarios must be correctly formatted and approved by the department before acceptance is given.

To begin processing "live" data, software developers must successfully complete the IRS PATS (Participants Acceptance Testing System) testing and Nebraska Department of Revenue testing. **Your Software License Number will not be activated until you have completed testing and received approval. Returns received with invalid Software License Numbers will be rejected.**

## **Chapter 3**

# **CONTENTS OF THE E-RETURN**

## **The Electronic Return**

The Nebraska portion of an electronic return will consist of state return data transmitted electronically and supporting IRS electronic forms, schedules, and documents. The following may be transmitted as part of the Nebraska electronic return:

Form 1040N - Nebraska Individual Income Tax Return, *with or without*:

Nebraska Schedule I - Nebraska Adjustments to Income,

Nebraska Schedule II - Credit for Tax Paid to Another State,

Nebraska Schedule III - Computation of Nebraska Tax for Nonresidents and Partial-year Residents,

Nebraska Minimum or Other Tax Worksheet,

Schedule I, **Line 53** Other Adjustments Worksheet,

Refundable Child Care Credit Worksheet;

Form 1040NS - Nebraska Resident Income Tax Return for Single and Joint Filers with no dependents;

The attached federal return, including federal forms and schedules, and any withholding documents.

## **The Non-electronic Return**

All non-electronic portions of the Nebraska return must be retained for a period of three years by the ERO. This consists of the following state and federal forms and schedules to be retained as paper. The department may require that the ERO provide copies or originals of this documentation upon demand.

Signature document — Form 8453N, Individual Income Tax Declaration for Electronic Filing. This form serves as the taxpayer's signature.

State copies of all withholding documentation. These forms must be attached to the front of the Form 8453N.

All federal forms and schedules (all filers), and other states' returns (for Schedule II filers) needed to substantiate the Nebraska return. These consist of any federal forms or other states' forms normally attached to a paper Nebraska return.

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# **Chapter 4**

## **ACKNOWLEDGMENTS**

### **Overview**

The IRS, through the Federal Acknowledgment System, provides Nebraska Acknowledgments. Transmitters should be able to pick up their state acknowledgments at the same time they get federal. NOTE: the state acknowledgments picked up will be for different transmission dates than the federal acknowledgments. Your Nebraska acknowledgments are normally posted on the next state business day following IRS acceptance of the federal return. If the IRS acceptance date is on a weekend or holiday, the Nebraska acknowledgment will be posted on the following business day.

**Do not assume that a federal acknowledgment by itself is a guarantee of receipt of the state return by the Nebraska Department of Revenue.** It is very important that you get your state acknowledgments in order to be certain your state returns were received.

### **Role of the Transmitter Trading Partner**

Since the Federal/State E-file system is essentially an IRS program, Transmitters must follow all IRS-required deadlines, transmitting procedures, communication requirements, and technical specifications.

Transmitters who transmit Nebraska returns for an ERO are required to supply the ERO with the Nebraska acknowledgment within 3 working days of federal acceptance. **Because the state acknowledgment could contain a state reject code, it is critical that the Transmitter deliver it in a timely manner.**

All Transmitter trading partners are required to test with the Internal Revenue Service at the appropriate

processing site. No testing is required for the state.

### **Role of the ERO Trading Partner**

EROs must confirm that they, their software vendor, or their third-party transmitter/trading partner has the capability of transmitting Nebraska filing data along with the federal data to the appropriate IRS processing center.

EROs must confirm that they, their software vendor, or their third-party transmitter/trading partner has the capability to download and provide both federal and state acknowledgments.

The ERO must bear responsibility for verification that the Nebraska return has been properly prepared, accepted by the IRS, and accepted by the Nebraska Department of Revenue.

# Information Provided in the Nebraska Acknowledgment

The purpose of the Nebraska acknowledgment is to inform the Transmitter that the state has retrieved a particular Nebraska return from the IRS, and also to indicate if errors exist on the return that causes it to be rejected by the state. The state bundles acknowledgments by Transmitter ETIN, which are imbedded in their corresponding original state returns in the Return Sequence Number (RSN).

The Nebraska acknowledgment system has the ability to report up to 96 state Reject Codes for any given return. This should allow the ERO to fix all errors in one attempt when submitting a State Only correction return.

## Nebraska Reject Codes

**Reject Codes can be issued with either federal or state acknowledgments. These are separate codes. Nebraska Reject Codes are available for download from our Web site.**

**Reject Codes issued by the IRS in the federal acknowledgment:** These normally point out errors in the federal return; however, certain errors on the state return can cause Reject Codes issued by the IRS. Reject codes issued by the IRS edits and pertaining to state returns are included in IRS Publication 1345. If a federal return is rejected due to errors, the accompanying state return will also be rejected. If a state tax return is rejected by the IRS due to errors, the federal return will also be rejected. If the error is one that can be corrected and the record processed, both return records may be re-transmitted to the IRS.

**Reject Codes issued by the Nebraska Department of Revenue in the state acknowledgment:** The Nebraska e-file system issues state reject codes. If the software used supports this option ("state only"), a state return that has been rejected can be fixed and resent to the state. As an ERO, your software should be set up with the ability to diagnose these codes. However, if not, **a separate document has been posted on the preparer's page of the department's Web site, listing Nebraska reject codes with an explanation of the error.** We encourage you to download this document.

## State-Only Transmissions

EROs and Transmitters typically send both the federal return and the state returns at the same time; however, if the software supports it, it is possible to send state returns without a federal return attached. Be sure to check with your software provider to see if they support this option. **Nebraska accepts State-Only returns, and encourages EROs to take advantage of this option to re-transmit state returns that have been rejected, to transmit state returns for taxpayers paying taxes in more than one state, or in any other situations where a Nebraska return can be filed by itself.** Amended returns must be filed on paper. When a state return is transmitted as State-Only, it should not contain a federal record intended for the IRS. It should contain a copy of the federal record sent as part of the state return and intended for the state.

## Missing Acknowledgments

Acknowledgments are consistently created for all Nebraska returns downloaded from the IRS, and then transmitted to the IRS for delivery to the Transmitter Trading Partner's mailbox. Occasionally, a problem with this process can occur.

**If you are an ERO** and use a third party Transmitter, and you have not been provided a Nebraska Acknowledgment within three (3) days of receipt of your Federal Acknowledgment



(when state and federal were transmitted together), **report this to your Transmitter Trading Partner**. The department will work with your Transmitter to resolve the problem.

**If you are a Transmitter** and you are experiencing a problem related to IRS connection, contact your IRS representative. When calling, have your ETIN available.

## Conversions to Paper Returns

**If at all possible, it is best to electronically resubmit a state return that is in error as a State Only transmission, rather than filing it on paper.** If your software does not support retransmission of a rejected state return, or if for any other reason you have been made aware that a state return has been rejected and you prefer to file it as a paper return, the procedure for conversion to paper is as follows:

Correct the portion of the return that has been indicated by the Reject Code as being in error.

Obtain a printed copy of the electronic return from your software (or prepare one by hand), and attach the original Form 8453N (including all withholding documentation) to the back of the return.

Attach all additional state and federal forms, schedules, and any other documentation needed to substantiate the state return.

Mail all to:

Nebraska Department of Revenue  
c/o Post Processing Section  
P. O. Box 98903  
Lincoln, NE 68509-8903

**Repeated errors that generate rejects or require conversion of state returns to paper usually indicates a software problem that the ERO must resolve with their software developer.** It is the responsibility of the ERO to originate error-free returns, and repeated errors could cause the Nebraska Department of Revenue to rescind the electronic filing privileges of an ERO. The department will contact and work with the ERO and their software developer to resolve problems prior to any decision to rescind electronic filing privileges.

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## **Chapter 5**

# **ELECTRONIC REFUNDS AND PAYMENTS**

## **General Rules About Electronic Banking**

The term “electronic banking” refers to tax refunds by direct deposit and tax payments by electronic funds withdrawal (EFW). Rules and procedures for credit card payments are covered under the heading “Credit Card Instructions” on page 22. The Nebraska Department of Revenue will attempt to honor all electronic banking requests, but incorrect or missing banking information is a frequent problem. To assure that the direct deposit or EFW works correctly, please follow these rules:

Information within the Nebraska electronic return including, taxpayer bank Routing Transit Number, Account Number, Type of Account, and Debit Date and Debit Amount (if EFW is used), must be present and valid.

Taxpayers must complete and sign a Nebraska Form 8453N authorizing the transaction.

The taxpayer should not change or close bank accounts between the time they file their tax return and the date their electronic banking request is processed. Invalid or missing Direct Deposit or Electronic Funds Withdrawal information will cause the request to be canceled.

Before authorizing a Direct Deposit or Electronic Funds Withdrawal, the ERO should confirm that the taxpayer’s financial institution is able to process ACH (Automated Clearing House) transactions.

**EROs must stress to their clients the importance of supplying correct banking information because the information submitted within the state return cannot be changed once a return has been received by the Nebraska Department of Revenue.**

The Nebraska acknowledgment only indicates receipt of the return at the Nebraska Department of Revenue. It does not indicate proof that a refund check will be issued, a Direct Deposit or Electronic Funds Withdrawal will be honored, or the expected refund amount will be the actual refund amount. The Nebraska Acknowledgment *does* indicate whether a Direct Deposit, Electronic Funds Withdrawal, or a refund warrant *was requested* on the state electronic return.

## **Refund Options**

Taxpayers can expect to receive their refund warrant within approximately seven (7) to twenty-one (21) days from receipt of the acknowledgment if the tax return is electronically filed without errors. Taxpayers using the Direct Deposit option on an electronic return can expect to have their refund deposited into their bank account within approximately seven (7) to ten (10) days from the date of the state acknowledgment if the tax return is filed without errors. **Be aware that certain conditions may exist when processing a refund return that require the department to hold and review the return to ensure its accuracy and validity. This may result in a delay in issuing the refund.**

Taxpayers may elect to have their tax year 2005 refund credited in one of the following ways:

Deposited electronically into their financial institution account (Direct Deposit);

Applied as an estimated payment to next year's tax liability; or

Donate all or a portion of the overpayment to the Endangered Species Fund, to the Nebraska Campaign Finance Limitation Cash Fund or to the Nebraska State Fair Foundation Fund;

Sent as a paper warrant (refund check);

## Balance Due Options

**If the taxpayer's return is a balance due return, they may elect to remit their tax in one of the following ways.** See details below. Options are:

Mail in a check or money order attached to a Nebraska 1040N-V Payment Voucher;

Request through the electronic return that funds be debited electronically from their financial institution account (Electronic Funds Withdrawal); or

Initiate a payment by Credit Card.

## Direct Deposit Instructions

State refunds by Direct Deposit are electronically transferred to the financial institution account as indicated on the electronic filing state record. The financial institution accounts into which the Nebraska refund and the IRS refund are deposited may be different. Therefore, the state and federal Routing Transit Numbers and Deposit Account Numbers could be different.

IRS Publication 1345 sets forth detailed eligibility requirements, responsibilities, and instructions governing trading partners who offer taxpayers the option of Direct Deposit. Those same rules, policies, and procedures apply when offering Direct Deposit on the state return as well.

The Nebraska Department of Revenue may deem that certain conditions require conversion of a direct deposit to a paper warrant.

The Nebraska Department of Revenue neither supports nor prohibits *Refund Anticipation Loans*, (RALs). The State of Nebraska is not liable for any loss suffered by any party as a result of the Nebraska Department of Revenue's denial of all or a portion of a refund claim request.

## Form 1040N-V Payment Voucher Instructions

**Taxpayers who file electronically may remit their tax liability by check or money order using a Nebraska Payment Voucher, Form 1040N-V.** An ERO who files a balance due electronic return for a client taxpayer *must* provide the taxpayer with the Nebraska Form 1040N-V *unless payment is made by Electronic Funds Withdrawal or Credit Card*. EROs must inform their taxpayer clients of the procedures to follow for payment of Nebraska balance due returns, and that the full amount due must be paid by **April 17, 2006** to avoid penalty and interest. Procedures are:

Attach check or money order to the Nebraska Form 1040N-V, and mail to the department by **April 17, 2006**.

Taxpayers may pay the amount due at the time of filing, or at any time through **April 17, 2006** without penalty or interest assessment.

Unpaid tax after **April 17, 2006** will incur penalty and interest.

Nebraska Balance Due Notices will not be issued until after **April 17** unless a payment has been made and is less than the tax amount owed, or the electronic return incorrectly indicates a refund when the department calculates a balance due.

All taxpayers receive an official mailing label from the Nebraska Department of Revenue. If this information is still current, the taxpayer has the mailing label, and payment is remitted with the Form 1040N-V, you can attach this label to the Form 1040N-V before mailing it to the department. If not available, be sure all parts of the form including name(s), address, and social security number(s) are completed.

**PLEASE REMIND YOUR CLIENTS: Do not use the Form 1040N-V Payment Voucher with paper filed returns. Use Form 1040N-V for remittance of a balance due with electronically filed returns only. When mailing Form 1040N-V, do not include a photocopy of the tax return.**

## Electronic Funds Withdrawal Instructions

Procedures and rules for Electronic Funds Withdrawal (EFW) include:

For Nebraska returns, EFW is available only for filers through the IRS Federal/State Electronic Filing Program.

If any EFW information on the return is missing or inaccurate, the request will be automatically canceled.

The date you want the payment withdrawn from the account (Debit Date) must be specified. It can be any date from the date the return is filed, to **April 17, 2006**. A Debit Date specified for April 15, 2005 will be considered timely provided the return is filed on or before **April 17, 2006**. Penalty and interest will be assessed for late payments, so allow adequate time to have the payment debited.

You must also indicate the amount to be withdrawn from the taxpayer's financial institution. Debit Amount can be more or less than the amount owed; however, if less, the taxpayer will be billed for any tax still owed, and if after the due date, penalty and interest will be applied. Any amount of \$2 or more paid over the amount due will be refunded.

It can take the department up to three (3) days from when the federal return is transmitted to complete the debit to the specified account. Timeliness is based on the specified Debit Date, not when the funds settle.

If the return is transmitted after the **April 17, 2006** due date, the financial institution account will be debited on the next business day following receipt of the return by the department. Accounts will not be debited prior to the requested Debit Date.

EFWs can be canceled any time up to two (2) days prior to the Debit Date. To cancel, the taxpayer or their authorized Power of Attorney must call the department's Taxpayer Assistance at 1-800-742-7474 (if calling from Nebraska or Iowa) or 1-402-471-5729. Proof of identity must be provided before an EFW can be canceled.

It is possible that your client's return could have calculation errors that would change a balance due return into a refund return. **If your client receives a refund from the department due to this, be sure to have them cancel their EFW.**

If you have questions on how the Electronic Funds Withdrawal payment option works, contact the department's E-commerce Help Line at 1-800-433-8631.

## Credit Card Instructions

Procedures and rules for making tax payments by credit card include:

Credit cards can be used as a (final) payment option for all income tax filers, regardless of what method they use to file their return. Paper filers can also use credit cards to pay their liability.

Payments are currently originated through Official Payments Corporation (OPC), who provides this same service to the IRS and many other states. **The department may approve other payment origination vendors subsequent to the release of this publication. See the department's Web site for updates.**

Credit cards supported include VISA, MasterCard, Discover and American Express. OPC will charge a convenience fee of 2.49% of the payment amount. Other vendors may apply a different fee. Taxpayers are told what this fee amount is when making the transaction, and they have the option of canceling the transaction. This fee is paid to the credit card vendor and will appear on the taxpayer's credit card statement separately from the tax payment. Only the tax amount goes to the state.

Payments can be made by credit card over the Internet or via telephone. **Links to all approved credit card vendors are on the department's Web site.** If you chose to use OPC, go directly to their Web site at **[www.officialpayments.com](http://www.officialpayments.com)**, or call **1-800-2PAY-TAX** and enter 3700 as the Nebraska Jurisdiction Code.

The payment will be effective on the date the transaction is completed with the credit card vendor.

A Confirmation Number is given at the completion of the transaction.

Payments must be made on or before the due date of **April 17, 2006**, to avoid penalty and interest.

If your client pays by credit card, later reverses the transaction, and doesn't arrange another method of payment, they could be assessed penalty and interest for nonpayment or late payment.

No credit card information is carried on the return. This transaction is strictly between OPC and the taxpayer, or the taxpayer's representative. Any disputes specific to the card payment are strictly between the credit card vendor and the taxpayer.

Any amount of \$2 or more paid over the amount due will be refunded.

## Chapter 6

# NEBRASKA FORM 8453N

When a return is electronically filed through an ERO, a Nebraska Form 8453N must be completed. EROs who file Nebraska electronic returns for client taxpayers *must* provide the taxpayer with the Nebraska Form 8453N and obtain signature(s) on the form. **EROs must retain the original, signed Forms 8453N with all required forms, schedules, attachments, and other return information for a period of three (3) years unless they are exempted based on these conditions:**

1. The 8453N is prepared at a military base, VITA or TCE site; or
2. The 8453N is for an ERO filing his or her own return.

If either of the two conditions above is true, the ERO has the option of either retaining the 8453N for three years, or the 8453N can be mailed to the Nebraska Department of Revenue. **Note that if the site is a for-profit business also submitting returns for the general public, the three-year retention rule remains in force.**

Unless exempted based on the conditions described above, upon request by the Nebraska Department of Revenue, an ERO may be required to provide Forms 8453N with all attachments to the department. The ERO must inform the Nebraska Department of Revenue of any address change for their company during the three-year period. If an ERO ceases business operations, they still have the obligation to retain and make available the records for three (3) years or provide all records to the Nebraska Department of Revenue. If the business is sold, the records must be passed on and retained by the new owner(s).

## Instructions for Completing Form 8453N

**IRS DCN (Declaration Control Number):** Enter the Federal Declaration Control Number in the appropriate boxes at the top left-hand portion of Form 8453N.

**Taxpayer SSN, Name and Address:** Enter the Social Security Number(s), name(s) and address information as they appear in the electronic Forms 1040N or 1040NS. The Nebraska Department of Revenue official mailing label is not required.

**Part I Tax Return Information:** Enter information from Form 1040N or Form 1040NS. Figures are reported using whole dollar amounts.

**Part II Declaration of Taxpayer:** After the return has been prepared and before the return is transmitted electronically, the taxpayer (and spouse, if joint return) must verify the information on the return and sign and date the Form 8453N. If either Direct Deposit (for refund) or Electronic Funds Withdrawal (for balance due) is requested, complete Part II and verify that this information is consistent with what appears in the electronic return. The ERO must provide the taxpayer with a photocopy of the Nebraska return and Form 8453N. Preparers and EROs are prohibited from allowing taxpayers to sign a blank Form 8453N. The taxpayer's signature allows the Nebraska Department of Revenue to advise the ERO of the reason for a delay in processing the return or the refund, resolve any errors on the return, and perform any requested Direct Deposit or Electronic Funds Withdrawal.

**Part III Declaration and Signature of ERO and Paid Preparer:** EROs and paid preparers are required to complete all information requested in Part III of the Form 8453N. EROs are responsible for verifying that information (including Direct Deposit or Electronic Funds Withdrawal

information) on the Form 8453N is complete, correct and consistent with what is reported in the electronic return.

## Attachments to Form 8453N

When the ERO is required to keep the original Form 8453N, they should also retain the following:

State copies of all withholding documentation;

All federal forms and schedules supporting the Nebraska tax return, including Federal Forms 6251, 4972, and 5329 when used to substantiate Form 1040N, Line 16, and Form 2441 or Schedule 2 when used to substantiate Form 1040N, Line 31; and,

Copies of federal forms and documents containing required signatures, if applicable (as described in IRS Publication 1345), and other states' returns (for Schedule II filers). Please refer to the Nebraska Tax Booklet instructions when determining which forms must be retained. These consist of any (non-electronic) federal or other state forms normally attached to a paper Nebraska return.

## Corrections to Form 8453N

If changes are made to the Nebraska electronic return after the taxpayer has signed the Nebraska Form 8453N but before the data has been transmitted, the ERO and/or Transmitter *must* have the taxpayer complete a new or corrected Nebraska Form 8453N.

If corrections are made to the Nebraska electronic return as a result of Reject Code notification, and the corrections made result in a difference of \$50 or more to either Line 1, Refund, or Line 2, Amount You Owe, the ERO and/or Transmitter *must* have the taxpayer complete a new or corrected Nebraska Form 8453N.

**If the department notifies the ERO that an electronic return needs to be submitted to the department on paper, the ERO should follow the Procedures for Conversions To Paper Returns on page 17. Be sure to attach the original Form 8453N before mailing.**



## **Chapter 7**

# **RESPONSIBILITIES OF PARTICIPANTS**

Electronic Filers (Transmitters and Electronic Return Originators) must abide by the terms set forth in this handbook and must maintain a high degree of integrity, compliance, and accuracy in order to continue to participate in the Nebraska portion of the Federal/State E-File Program, as well as abide by the following requirements.

## **Compliance, Monitoring and Suspension**

All electronic filers must comply with the requirements and specifications set forth in Internal Revenue Service *Publications 1345 and 1346*, and in this handbook. All tax information must be kept confidential.

The Nebraska Department of Revenue may monitor an ERO for conformity with this publication. The department can immediately suspend, without notice, an ERO from the electronic filing program.

If an ERO is suspended by the Internal Revenue Service, they are automatically suspended from the Nebraska electronic filing program.

Monitoring will include random sampling of Form 8453N signature documents and all associated documentation for compliance.

## **Timeliness of Filing**

Transmitters must ensure that electronic returns are filed in a timely manner. The date of the Internal Revenue Service Acknowledgment will be considered the filing date for a Nebraska return transmitted electronically.

Further, *Transmitters must provide the Nebraska Acknowledgment to the ERO in a timely manner.* The state acknowledgment should be received by the ERO before considering the state return received.

## **Filing Deadline**

The Nebraska Department of Revenue will accept electronically filed Nebraska returns, which have been submitted to the IRS through the IRS extension period. Any returns not retransmitted and accepted before the IRS system is closed must be filed as paper documents.

## **ERO Responsibility to Clients**

EROs have been entrusted with the task of filing a client's tax return and must assume the responsibility of ensuring that the return arrives at the Nebraska Department of Revenue. In the event that the ERO does not receive a Nebraska Acknowledgment the ERO must notify their client to file a paper return.

## Changing Tax Returns

If the ERO or taxpayer wishes to make any changes after the return has been acknowledged as accepted by the state, the taxpayer must file an Amended Return, Form 1040XN, through the paper document filing process. **Amended returns cannot be submitted electronically.** Nebraska amended returns must be mailed to the following address:

Nebraska Department of Revenue  
P.O. Box 98911  
Lincoln, Nebraska 68509-8911

## ***Chapter 8***

# **DEPARTMENT CONTACTS**

## **Nebraska Contacts**

### **ELECTRONIC FILING COORDINATION**

1-402-471-5619 or 1-402-471-5785

General Contact, State Record Layouts & Software Guidelines,  
Electronic Return Error Resolution,  
Direct Deposit / Electronic Funds Withdrawal Error Resolution,  
Software Developer Approval

### **NEBRASKA TAXPAYER ASSISTANCE HELP LINE**

If calling from Nebraska or Iowa  
If calling from outside of Nebraska or Iowa

1-800-742-7474  
1-402-471-5729

Tax Preparation Assistance, Paper Forms Ordering,  
Status of Refunds

### **NEBRASKA DEPARTMENT OF REVENUE WEB SITE**

<http://www.revenue.ne.gov>

### **ELECTRONIC COMMERCE SECTION MAILING ADDRESS**

Nebraska Department of Revenue  
c/o Electronic Commerce Section  
P. O. Box 94650  
Lincoln, NE 68509-4650

## **Using the Nebraska Web Site**

Please note that the Nebraska Department of Revenue has designed our Web site to provide information to individual taxpayers, and to tax professionals including software developers and tax preparers. As an ERO or software developer, you should take advantage of the opportunity to find useful information about the department in general, and about the Nebraska e-file program specifically.

If you are an ERO, go to [www.revenue.ne.gov](http://www.revenue.ne.gov) to find information about our e-file program, and to download or read useful forms, files, and publications. Also from our site software developers can download necessary files and publications, including Forms 8453N, 1040N-V, Publication 1346N (Nebraska file specifications), Nebraska Reject Code Listing, and Publication 1436N (Nebraska Test Package).

## NEBRASKA ELECTRONIC FILER CHECK LIST -- DID YOU REMEMBER TO?

- ☐ Double check to see if forms needed and lines used are eligible for electronic filing.
- ☐ Make sure name(s), address(es), and social security number(s) are correct.
- ☐ Enter IRS DCN on Form 8453N. All 14 digits must be present and legible.
- ☐ Verify that SSN, High School District Code, Name and Address, and Direct Deposit or Electronic Funds Withdrawal information are correctly entered on Form 8453N.
- ☐ Enter figures from the tax return onto Form 8453N, if appropriate.
- ☐ Attach all state copies of federal and state forms, withholding and other documents to Form 8453N.
- ☐ Have the taxpayer sign all documents requiring original signatures.
- ☐ Obtain signature of the primary tax preparer.
- ☐ Verify the accuracy of Routing Transit Number and Account Number for Direct Deposit and Electronic Funds Withdrawal returns.
- ☐ Retain the signed Forms 8453N with all required schedules, attachments and information for three (3) years.
- ☐ Verify that the taxpayer's High School District Code is entered and correct.
- ☐ Verify that your name (or ERO company name) and telephone number have been completely and accurately entered.
- ☐ Use only whole dollar amounts in the electronic return.
- ☐ Give the taxpayer copies of all forms that apply to them (including a copy of Form 8453N).
- ☐ Verify Internal Revenue Service Acknowledgment.
- ☐ Verify Nebraska Department of Revenue Acknowledgment.